



JOHN CHIANG
California State Controller

October 19, 2012

Edwin Eng, Vice Chancellor
Finance and Administration
State Center Community College District
1525 East Weldon Avenue
Fresno, CA 93704

Dear Mr. Eng:

The State Controller's Office reviewed the costs claimed by State Center Community College District for the legislatively mandated Health Fee Elimination Program (Chapter 1, Statutes of 1984, 2nd Extraordinary Session, and Chapter 1118, Statutes of 1987) for the period of July 1, 2007, through June 30, 2010. Our review was limited to validating the authorized health service fees that the district reported.

The district claimed \$409,397 (\$412,323 less a \$2,926 penalty for filing a late claim) for the mandated program. Our review disclosed that \$185,596 is allowable and \$223,801 is unallowable. The costs are unallowable because the district understated authorized health service fees, as described in the attached Summary of Program Costs and Finding and Recommendation.

For the fiscal year (FY) 2007-08 claim, the State paid the district \$93,305. Our review disclosed that the claimed costs are unallowable. The State will offset \$93,305 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2008-09 claim, the State paid the district \$232,906. Our review disclosed that \$119,258 is allowable. The State will offset \$113,648 from other mandated program payments due the district. Alternatively, the district may remit this amount to the State.

For the FY 2009-10 claim, the State paid the district \$40,008. Our review disclosed that \$66,338 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$26,330, contingent upon available appropriations.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCForm.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD
Chief, Division of Audits

JVB/vb

Attachments

RE: S12-MCC-907

cc: Wil Schofield, Director of Finance
State Center Community College District
Ed Hanson, Principal Program Budget Analyst
Education Systems Unit, Department of Finance
Christine Atalig, Specialist, College Finance and Facilities Planning
California Community Colleges Chancellor's Office
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Attachment 1— Summary of Program Costs July 1, 2007, through June 30, 2010

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs	\$ 866,470	\$ 866,470	\$ —
Indirect costs	316,262	316,262	—
Total direct and indirect costs	1,182,732	1,182,732	—
Less authorized health service fees	(1,063,384)	(1,216,217)	(152,833)
Less offsetting savings/reimbursements	(9,195)	(9,195)	—
Subtotal	110,153	(42,680)	(152,833)
Review adjustments that exceed costs claimed	—	42,680	42,680
Total program costs	<u>\$ 110,153</u>	—	<u>\$ (110,153)</u>
Less amount paid by the State		(93,305)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (93,305)</u>	
<u>July 1, 2008, through June 30, 2009</u>			
Direct costs	\$ 1,179,115	\$ 1,179,115	\$ —
Indirect costs	430,377	430,377	—
Total direct and indirect costs	1,609,492	1,609,492	—
Less authorized health service fees	(1,354,776)	(1,468,424)	(113,648)
Less offsetting savings/reimbursements	(21,810)	(21,810)	—
Total program costs	<u>\$ 232,906</u>	119,258	<u>\$ (113,648)</u>
Less amount paid by the State		(232,906)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (113,648)</u>	
<u>July 1, 2009, through June 30, 2010</u>			
Direct costs	\$ 1,246,768	\$ 1,246,768	\$ —
Indirect costs	321,955	321,955	—
Total direct and indirect costs	1,568,723	1,568,723	—
Less authorized health service fees	(1,492,929)	(1,492,929)	—
Less offsetting savings/reimbursements	(6,530)	(6,530)	—
Less late filing penalty	(2,926)	(2,926)	—
Total program costs	<u>\$ 66,338</u>	\$ 66,338	<u>\$ —</u>
Less amount paid by the State		(40,008)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 26,330</u>	

Attachment 1 (continued)

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Review</u>	<u>Review Adjustment ¹</u>
<u>Summary: July 1, 2007, through June 30, 2010</u>			
Direct costs	\$ 3,292,353	\$ 3,292,353	\$ —
Indirect costs	1,068,594	1,068,594	—
Total direct and indirect costs	4,360,947	4,360,947	—
Less authorized health service fees	(3,911,089)	(4,177,570)	(266,481)
Less offsetting savings/reimbursements	(37,535)	(37,535)	—
Less late filing penalty	(2,926)	(2,926)	—
Subtotal	409,397	142,916	(266,481)
Review adjustments that exceed costs claimed	—	42,680	42,680
Total program costs	<u>\$ 409,397</u>	185,596	<u>\$ (223,801)</u>
Less amount paid by the State		(366,219)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (180,623)</u>	

¹ See Attachment 2, Finding and Recommendation.

Attachment 2— Finding and Recommendation July 1, 2007, through June 30, 2010

**FINDING—
Understated authorized
health service fees**

The district understated authorized health service fees by \$266,481 for fiscal year (FY) 2007-08 and FY 2008-09.

Mandated costs do not include costs that are reimbursable from authorized fees. Government Code section 17514 states that “costs mandated by the state” means any increased costs that a school district is required to incur. To the extent community college districts can charge a fee, they are not required to incur a cost. In addition, Government Code section 17556 states that the Commission on State Mandates shall not find costs mandated by the State if the school district has the authority to levy fees to pay for the mandated program or increased level of service.

Education Code section 76355, subdivision (c), states that health service fees are authorized for all students except those who: (1) depend exclusively on prayer for healing, or (2) are attending a community college under an approved apprenticeship training program. The California Community Colleges Chancellor’s Office (CCCCO) identified the fees authorized by Education Code section 76355, subdivision (a). The following table summarizes the authorized fee per student:

Fiscal Year	Authorized Health Service Fee Rate	
	Fall/Spring Semester	Summer Session/ Winter Intersession
2007-08	\$ 16	\$ 13
2008-09	17	14

We obtained student enrollment data from the CCCCCO. The CCCCCO identified enrollment data from its management information system (MIS) based on student data that the district reported. CCCCCO identified the district’s enrollment based on its MIS data element STD7, codes A through G. CCCCCO eliminated any duplicate students based on their Social Security numbers.

The following table shows the authorized health service fee calculation and review adjustment:

	Period			
	Summer Session	Fall Semester	Spring Semester	Total
Fiscal Year 2007-08:				
Number of enrolled students	12,333	33,332	32,661	
Authorized health service fee rate	× \$(13)	× \$(16)	× \$(16)	
Authorized health service fees	<u>\$(160,329)</u>	<u>\$(533,312)</u>	<u>\$(522,576)</u>	\$ (1,216,217)
Less authorized health service fees claimed				<u>1,063,384</u>
Review adjustment, FY 2007-08				<u>(152,833)</u>
Fiscal Year 2008-09:				
Number of enrolled students	13,748	38,069	36,987	
Authorized health service fee rate	× \$(14)	× \$(17)	× \$(17)	
Authorized health service fees	<u>\$(192,472)</u>	<u>\$(647,173)</u>	<u>\$(628,779)</u>	(1,468,424)
Less authorized health service fees claimed				<u>1,354,776</u>
Review adjustment, FY 2008-09				<u>(113,648)</u>
Total review adjustment				<u>\$ (266,481)</u>

Recommendation

We recommend that the district deduct authorized health service fees from mandate-related costs claimed. To properly calculate authorized health service fees, we recommend that the district identify the number of enrolled students based on CCCCO data element STD7, codes A through G. The district should eliminate duplicate entries for students who attend more than one of the district's colleges. In addition, we recommend that the district maintain documentation that identifies any students the district excludes from the health service fee based on Education Code section 76355, subdivision (c)(1).